

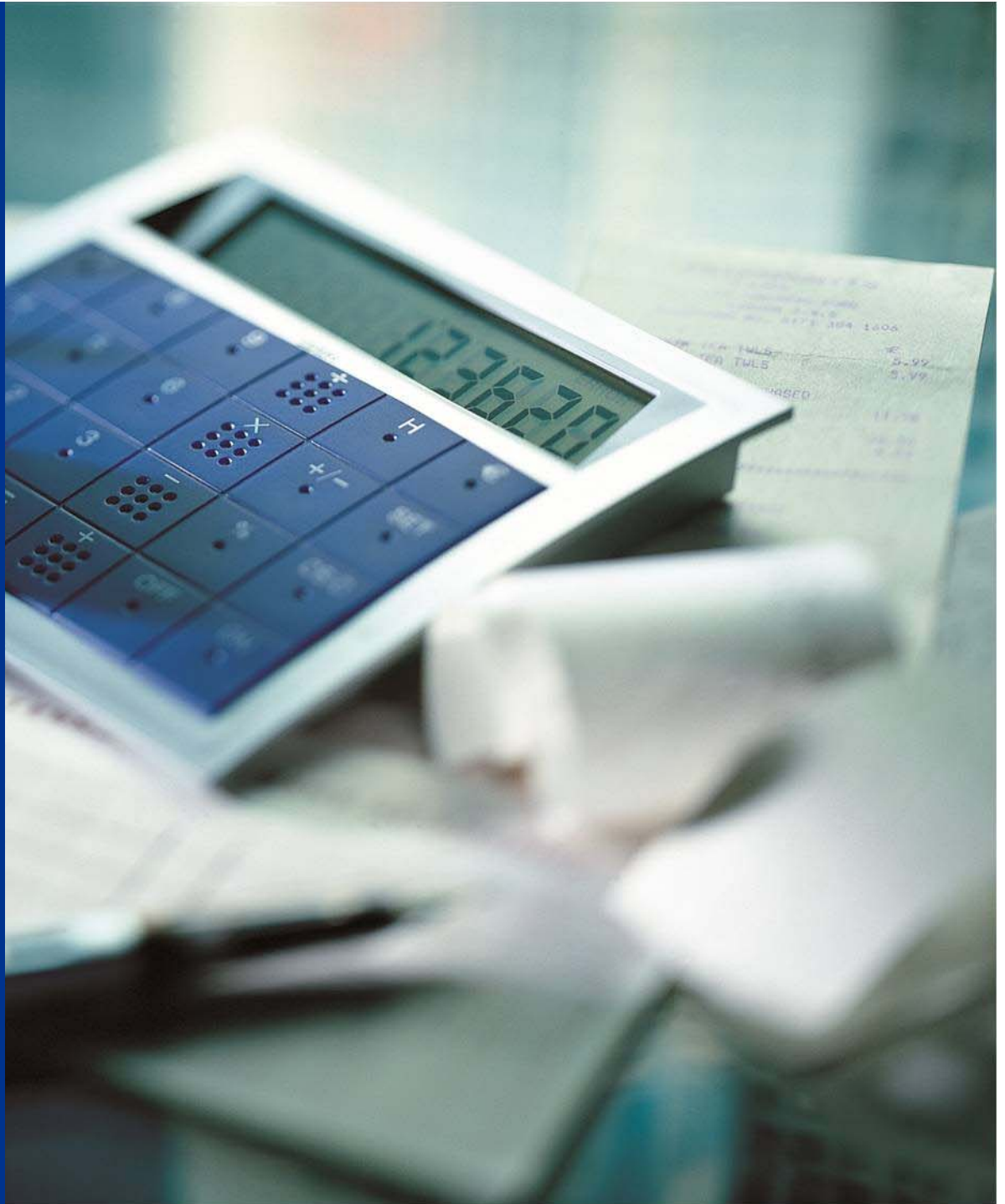


Association of Municipal Clerks and Treasurers
of Ontario

Zone 7 Fall 2018 Workshop

Multi-Year Budgeting, A Practical Approach

September 13th, 2018



What the GFOA Says...

- A budget process consists of activities that encompass the development, implementation and evaluation of a plan for the provision of services and capital assets
- A good budget process:
 - Incorporates a long-term perspective
 - Establishes linkages to broad organizational goals
 - Focuses decisions on results and outcomes
 - Involves and promotes effective communication with stakeholders
 - Provides incentives to government management and employees
- The overall purpose of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process
- The use of a multi-year budget allows a new council to plot out a financial plan over the duration of its term

What the GFOA Says...

Principles	Elements
A government should have broad goals that provide overall direction and serve as a basis for decision making	
A government should have specific policies, plans, programs and strategies to define how to approach its goals	
A financial plan and budget that moves forward towards the achievement of goals should be adopted	
Program and financial performance should be continually evaluated	

What the GFOA Says...

Principles	Elements
A government should have broad goals that provide overall direction and serve as a basis for decision making	<ul style="list-style-type: none"> • Assess community needs, priorities, challenges and opportunities • Identify opportunities and challenges for government services • Develop and disseminate goals
A government should have specific policies, plans, programs and strategies to define how to approach its goals	<ul style="list-style-type: none"> • Adopt financial policies • Develop operating and capital policies and plans • Develop programs and services that are consistent with these plans • Develop management strategies
A financial plan and budget that moves forward towards the achievement of goals should be adopted	<ul style="list-style-type: none"> • Develop a formal budget process • Develop and evaluate financial options • Make choices necessary to adopt a budget
Program and financial performance should be continually evaluated	<ul style="list-style-type: none"> • Monitor, measure, and evaluate performance • Make adjustments as needed

What the Municipal Act Says...

Multi-year budget

291. (1) Despite sections 289 and 290, a municipality may prepare and adopt a budget covering a period of two to five years in the first year to which the budget applies or in the year immediately preceding the first year to which the budget applies. 2006, c. 32, Sched. A, s. 121.

Restriction

(2) Despite subsection (1), if the first year of a multi-year budget immediately follows a year in which a regular election is held, the budget may only be adopted in the first year to which the budget applies. 2006, c. 32, Sched. A, s. 121.

First year

(3) Except as provided in subsection (1), the provisions of the budget for the first year to which the multi-year budget applies shall comply with the requirements of section 289 or 290, as the case may be. 2006, c. 32, Sched. A, s. 121.

Other years, mandatory review of annual budget

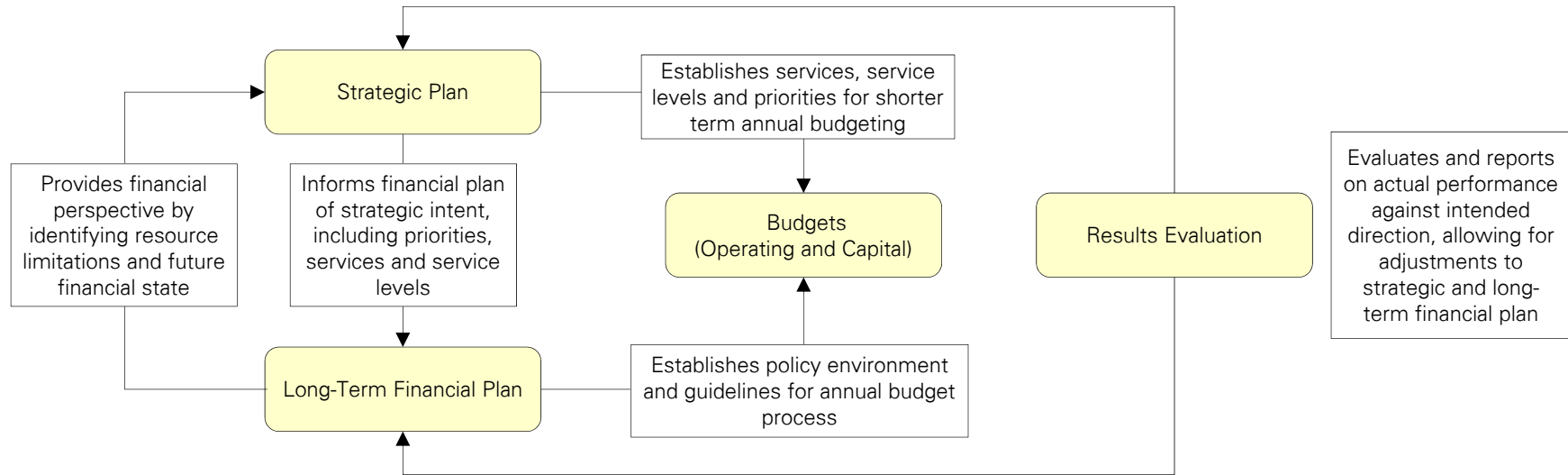
(4) For the second and each subsequent year to which a multi-year budget applies, the municipality shall, in the year or the immediately preceding year,

(a) review the budget for that year;

(b) make such changes as are required for the purpose of making the provisions of the budget for that year comply with the requirements of section 289, except clause 289 (4) (b), or section 290, except clause 290 (4) (b), as the case may be; and

(c) readopt the budget for that year and for subsequent years to which the budget applies. 2006, c. 32, Sched. A, s. 121; 2009, c. 18, Sched. 18, s. 3.

Planning, Budgeting and Evaluation Cycle



	Strategic Plan	Long-Term Financial Plan	Budgets (Operating and Capital)
Organizational vision	●	○	○
Long-term forecasting (revenue, expenditures, capital, debt, reserves)	○	●	◐
General environmental scan	●	○	○
Fiscal environment analysis	○	●	○
Service demand planning	◐	◐	◐
Service prioritization	●	○	●
Resource allocation	○	○	●
Management planning	○	○	●

○ Does not address

◐ Partially addresses

● Fully addresses

Budget Process

- Start it early enough to be finished by December of the current year
- Develop a formal schedule for Council involvement
 - Get direction early for acceptable tax and user fee increases
 - Establish a fixed number of Council meetings
- Provide opportunity for public input
 - On-line input
 - One public input session
- Develop the process for annual updates
 - Capture changes to key budget factors throughout the year
 - Reconcile previous versions with explanations for major changes
 - Consider a public presentation outlining actual to budgeted results

Recommended Financial Policies

Policy	Considerations
Reserve and reserve funds	<ul style="list-style-type: none"> • Stabilization reserves (tax, services, debt) • Operating reserves • Capital reserves • Establish maximum and minimum amounts • Specifically restrict usage • Reserve vs. reserve fund
Debt	<ul style="list-style-type: none"> • Define appropriate use and circumstances • Dictate disposition of debt servicing capacity when debt is repaid • Align to Provincial regulations
User fees	<ul style="list-style-type: none"> • Define how to determine annual increases • Separate rate setting from affordability
Budgeting	<ul style="list-style-type: none"> • Process • Timing • Option identification

Recommended Financial Policies

Policy	Considerations
Investments	<ul style="list-style-type: none">• Delineate between short-term and long-term investment needs• Specifically state appropriate investments• Include provision for reporting on performance
Capital	<ul style="list-style-type: none">• Establish capital financing formula• Determine approach to situations involving underspending or overspending• Include provision for reporting on capital projects

If I Were You...

- Ten year capital forecast
- Four year approved budget, reducing over the term of Council
- Stabilization reserves for taxes, water, wastewater, winter roads maintenance and debt servicing at a minimum
- Defined maximum and minimum limits for reserves
- Transfer debt servicing to reserves upon repayment of debt
- Borrow for capital
- Three Council meetings for budget (operating, capital, final)

If I Were You...

- Four year user fee policy
- Use the budget to tell a story
 - What you do
 - What people get for their tax dollars
- Scale my efforts accordingly
- Consider alternate scenarios as part of the budget process
- Transfer education tax reductions to the municipality

Multi-Year Budgeting, A Practical Approach

An Example for Smaller Communities

	Reference	2016	2017		2018	2019	2020
		Actual	Budget	Actual	Budget	Forecast	Forecast
Operating costs:							
Corporate services	<i>Schedule 1.0</i>	713,737	673,070	648,077	660,940	673,800	686,800
Protective services	<i>Schedule 2.0</i>	278,818	303,850	291,607	309,480	316,000	322,200
Public works	<i>Schedule 3.0</i>	1,292,009	1,336,880	1,158,874	1,181,930	1,204,900	1,227,500
Health and social services	<i>Schedule 4.0</i>	346,557	288,160	279,794	292,090	297,900	303,900
Culture and recreation	<i>Schedule 5.0</i>	474,823	528,210	403,513	411,580	419,800	427,800
Planning and development	<i>Schedule 6.0</i>	11,434	34,860	67,086	68,430	69,800	71,300
		3,117,378	3,165,030	2,848,949	2,924,450	2,982,200	3,039,500
Ontario Municipal Property Fund		(860,900)	(799,100)	(809,300)	(809,300)	(809,300)	(809,300)
Heads and beds revenue		(2,775)	(2,775)	(2,775)	(2,775)	(2,775)	(2,775)
Utility corridor taxation		(146,279)	(150,410)	(150,410)	(150,410)	(150,410)	(150,410)
Water charges: Non-metered		(313,233)	(329,000)	(328,563)	(345,000)	(362,000)	(380,000)
Water charges: Metered		-	-	(16,874)	(17,200)	(17,500)	(17,900)
Wastewater charges: Non-metered		(175,469)	(184,000)	(184,052)	(193,000)	(203,000)	(213,000)
Wastewater charges: Metered		-	-	(8,433)	(8,600)	(8,800)	(9,000)
Other revenue	<i>Schedule 7.0</i>	(399,217)	(352,330)	(417,484)	(425,820)	(434,500)	(442,700)
Operating component of municipal levy		1,219,505	1,347,415	931,056	972,345	993,915	1,014,415
Municipal levy available to fund capital and other non-operating items		660,107	675,556	1,091,915	1,091,085		
		1,879,612	2,022,971	2,022,971	2,063,430		
Comprised of:							
Residential				680,492	694,101		
Multi-residential				37,924	38,682		
Commercial				557,119	568,261		
Industrial				217,239	221,583		
Pipeline				530,198	540,802		
				2,022,971	2,063,429		

Multi-Year Budgeting, A Practical Approach

An Example for Smaller Communities

Public Works														
Service	Reference	Require	Essenti	Expecte	Discretiona	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2019 Budget	2020 Budget	2021 Budget	Delivery Model	Service Level
Administration	Schedule 3.1		x			262,216	265,080	219,820	224,200	228,600	233,000	237,400	Internal	
Fleet	Schedule 3.2		x			104,943	92,300	77,659	79,190	80,800	82,000	83,200	Internal	
Overhead						367,159	357,380	297,479	303,390	309,400	315,000	320,600		
Roads - winter	Schedule 3.3		x			71,900	67,630	50,501	51,500	52,400	53,200	54,100	Internal	Consistent with MTO requirements
Roads - summer	Schedule 3.4		x			82,694	81,860	42,423	43,260	44,100	44,900	45,700	Internal	Consistent with MTO requirements
Streetlighting	Schedule 3.5		x			52,341	52,660	43,537	44,410	45,300	46,100	46,900	Contracted out	
Other transportation	Schedule 3.6		x			31,546	30,760	17,847	18,160	18,200	18,400	18,600	Internal	
Transportation						238,481	232,910	154,308	157,330	160,000	162,600	165,300		
Garbage collection	Schedule 3.7		x			31,622	32,240	33,657	34,320	34,900	35,500	36,100	Internal	
Landfill	Schedule 3.8		x			88,804	91,750	54,145	55,230	56,400	57,500	58,600	Internal	
Solid waste						120,426	123,990	87,802	89,550	91,300	93,000	94,700		
Water	Schedule 3.9		x			338,728	354,810	360,908	368,130	375,400	382,900	390,500	Contracted out	Consistent with MDE requirements
Wastewater	Schedule 3.10		x			226,663	263,050	254,873	253,970	265,200	270,300	275,600	Contracted out	Consistent with MDE requirements
Storm sewers	Schedule 3.11		x			552	4,740	3,504	3,560	3,600	3,700	3,900	Internal	
Sewer and water						565,943	622,600	619,285	631,660	644,200	656,900	669,900		
						1,292,009	1,336,880	1,158,874	1,181,930	1,204,900	1,227,500	1,250,500		

Multi-Year Budgeting, A Practical Approach

An Example for Smaller Communities

	A	B	D	E	F	G	H	I	J	K	L	M
3	Budget Detail Template											
4	Winter Roads Maintenance											
5												
6	Inflation Rate	2%										
7												
8	Account Number	Account Name	2016	2017	2017	Adjustments			2018	2019	2020	
9			Actual	Budget	Actual	Inflation	Adjustment 1	Adjustment 2	Adjustment 3	Budget	Forecast	Forecast
10												
11	1-4-3051-1010	SNOW REMOVAL - Wages	42,348	43,200	30,696	610				31,310	31,900	32,500
12	1-4-3051-1110	SNOW REMOVAL - Benefits	4,999	-	-	-				-	-	-
13	1-4-3051-1150	SNOW REMOVAL - EI	814	830	669	10				680	700	700
14	1-4-3051-1160	SNOW REMOVAL - CPP	1,476	1,510	1,094	20				1,110	1,100	1,100
15	1-4-3051-1170	SNOW REMOVAL - OMERS	2,881	2,940	2,282	50				2,330	2,400	2,400
16	1-4-3051-1200	SNOW REMOVAL - EHT	815	840	586	10				600	600	600
17	1-4-3051-1210	SNOW REMOVAL - WSIB	857	880	715	10				720	700	700
18	1-4-3051-2010	SNOW REMOVAL - Materials/Supplies	-	-	-	-				-	-	-
19	1-4-3051-4010	SNOW REMOVAL - Contracts	1,900	1,940	2,010	40				2,050	2,100	2,100
20	1-4-3052-1010	SAND/SALT - Wages	6,745	6,880	5,679	110				5,790	5,900	6,000
21	1-4-3052-1110	SAND/SALT - Benefits	605	10	-	-				-	-	-
22	1-4-3052-1150	SAND/SALT - EI	130	130	88	-				90	100	100
23	1-4-3052-1160	SAND/SALT - CPP	292	300	186	-				190	200	200
24	1-4-3052-1170	SAND/SALT - OMERS	453	460	443	10				450	500	500
25	1-4-3052-1200	SAND/SALT - EHT	129	130	111	-				110	100	100
26	1-4-3052-1210	SAND/SALT - WSIB	139	140	135	-				140	100	100
27	1-4-3052-2010	SAND/SALT - Materials/Supplies	7,235	7,380	5,808	120				5,930	6,000	6,100
28	1-4-3052-4010	SAND/SALT - Contracts	-	-	-	-				-	-	-
29	1-4-3053-1010	FENCE/CULVERT THAW - Wages	-	-	-	-				-	-	-
30	1-4-3053-1150	FENCE/CULVERT THAW - EI	-	-	-	-				-	-	-
31	1-4-3053-1160	FENCE/CULVERT THAW - CPP	-	-	-	-				-	-	-
32	1-4-3053-1170	FENCE/CULVERT THAW - OMERS	-	-	-	-				-	-	-





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